

# The eBook Prospectus: 2004

R2 consulting

Rick Lugg and Ruth Fischer  
www.ebookmap.net  
October 2003

*This prospectus explains what you should know about eBooks before you invest. Please read it carefully.  
The SEC has not approved or disapproved this offering, or determined if this prospectus is truthful or complete.  
Any representation to the contrary is a criminal offense.*

(This Prospectus will appear in the November 2003 edition of *Against the Grain*.)

It's been a confusing couple of months here in eBook World, enough so to turn the steeliest speculator toward safer investments, like derivatives of CEO salaries. On the one hand, we've seen enough gloomy news to suggest that the Promised Land may actually consist of Florida mangroves, and yet, almost simultaneously, new companies and products have entered the fray, reviving at least the rhetoric of boomtown. In short, a great time to be alive!

The bears can point a paw toward B&N.com's surprise announcement on September 9<sup>th</sup> that it would stop selling eBooks, effective immediately. (Customers have until December 9<sup>th</sup> to complete downloads of previously purchased Adobe and Microsoft Reader titles.) B&N.com's decision followed by some months that of Gemstar, which ceased selling (or apparently, *trying* to sell) RCA eBook devices and content in June. Given B&N.com's early leadership in eBookselling, and its extensive customer reach, this equates to at least a 5.0 on the industry's Richter scale, and testifies to the bears' depression.

Back in January, a UK programmer named Dan Jackson released software online in his bid to become the Microsoft version of Dmitri Sklyarov. Jackson's program, known as

ConvertLit (.lit is the file extension for MS eBooks), enables a user to strip Microsoft's copy protection from eBook files. This allows a user to copy and distribute the file to other machines—something that warms the heart of every copyright holder.

And yet, despite such downers, as in Pamplona, the bulls run...or the bull runs—take your pick! On September 16<sup>th</sup>, the Open eBook Forum ([www.openebook.org](http://www.openebook.org)) released sales figures for the first three quarters of 2003, showing growth in unit sales of 40% over 2002, and projecting a \$10 million market for 2003. And while \$10 million won't buy a self-respecting CEO and remains a miniscule portion of the \$32 billion print publishing market, these sales figures are nearly 20 times what they were in 2000. [More entertaining is to revisit market projections from that era, which ranged from a modest \$267 million for downloads to reading devices, to the Anderson/AAP prediction that eBooks would account for 10% of the publishing market (\$3.2 billion) by 2005. All that digging, and somehow we missed the mother lode.]

And while B&N.com retreats from eBooks, Amazon continues to advance, expanding its "Look in the Book" browsing capability toward a target of 265,000 titles, and persisting with eBook sales in a range of formats. In July, Microsoft

itself threw its non-monopolistic weight behind eBooks, offering 60 bestsellers (Bill Bryson, Walter Mosley) free of charge, to promote the use of Microsoft Reader 2.0. ([www.microsoft.com/reader](http://www.microsoft.com/reader)). Overall, there are now more than 20,000 titles available for MS Reader; a complete list, developed in collaboration with Texterity, can be found at [www.mslit.com](http://www.mslit.com).

Meanwhile, rival Adobe has incorporated its eBook reader software into Acrobat 6.0, in effect distributing eBook capability to any of the 200 million+ desktops on which an updated Acrobat resides—and on PDA's running Adobe Reader for Palm OS 3.0. "Tens of thousands of PDF Adobe eBook titles are available through online retailers such as eBooks.com ([www.ebooks.com](http://www.ebooks.com)) and Amazon, among others—a complete listing can be seen at ([www.adobe.com/epaper/ebooks/ebookmall/main.html](http://www.adobe.com/epaper/ebooks/ebookmall/main.html)) . This site is not be to confused with (although I admit to doing so) [www.ebookmall.com](http://www.ebookmall.com), which lists 25,000 titles in eleven formats.

On the eBook "appliance" front, again, it sounds like a bad night on *Crossfire* as bulls and bears go at it. As noted previously, Gemstar ceased operations this summer, consigning thousands of RCA eBook devices to clearance sales and museum-piece status. Such devices hadn't caught on, the company said. And yet, within days of Gemstar's closing, Japanese giant Matsushita Electric (maker of all things Panasonic) introduced a new eBook appliance that can run up to six months on two AA batteries. This "Sigma eBook" features two 1024 x 768 screens (better, but still far from the resolution of print on paper), hinged like a...book, and will retail for \$250. The first content planned for the device will be limited to fiction and comics, with Japan as its primary market.

Hewlett Packard Labs Bristol also got into the act, with development of a prototype dubbed "Digital Media Viewer." This experimental device features page-turning software activated by touch-pad, riffling, and the ability to hold an image without being powered. Inventor Anthony Sowden sought to mimic "the craft of typesetting books" in his display, and to create a device lightweight and comfortable enough to achieve "transparency." He provides his own bullish take on eBook prospects in an interview: "I want to present a dilemma to...[HP] management, that suggests we could make the ebook business work. And if we don't, somebody else will. And whoever does, there is an opportunity to make a huge amount of money in it..."

Palm Digital Media ([www.palmdigitalmedia.com](http://www.palmdigitalmedia.com)) has to date seen more of this money than other companies. More than 10,000 titles are now available for the Palm Reader, up from 3,500 in 2002. Its partnerships with OverDrive, Lightning Source, eBooks.com and many other eBook retailers, combined with the ubiquity and mobility of Palm devices, make Palm eBooks attractive to a certain segment of readers—i.e., those who already carry Palm Pilots! In 2002, this translated into 180,000 individual eBook sales, and Palm

eBooks remain the fastest-growing line in the business. Palm Reader Pro now extends upward to desktop and laptop PC's. In early 2003, Palm developed software to enable library patrons to check out Palm Reader books, supported by OverDrive's Digital Library Reserve ([www.overdrive.com](http://www.overdrive.com)).

EBooks in libraries, of course, are a proposition unto themselves, and the bears and bulls do battle here as well. Librarians know well the trials of netLibrary and ebrary, in all senses of the word. They've witnessed the unexpected demise of IT Knowledge, and have wrestled with the access models currently on offer, and for the most part have adopted a "let's try a few and see how it goes" approach. But the market moves inexorably onward, stimulated in part by patron enthusiasm for e-journals and remote access to library resources, and perhaps, that enormous amount of money for whoever gets it right. The most significant library-related development in the past year was the release of Adobe Content Server 3.0, which manages encryption, activation, and secure lending and reserve transactions for eBooks. This technology underpins some of the new services described below.

In June 2003, the Open eBook Forum recognized the uniqueness of the library market by creating a Library Special Interest Group, "to foster good implementation of eBooks into libraries and to work out any business, technical or legal barriers to that implementation. Interested librarians can join the discussion at [www.openebook.org/oebf\\_groups/library.htm](http://www.openebook.org/oebf_groups/library.htm). And several firms have launched new eBook initiatives for libraries just this year, including OverDrive, eBooks Corporation, Blackwell's Book Services, Baker & Taylor/YBP Library Services, and Follett.

OverDrive's Digital Library Reserve has met with early success in public libraries, notably Cleveland Public, Wright Memorial, and King County. OverDrive's "Library Digital Kiosk" provides a Web interface for library patrons, and its "Collection and Circulation Manager" and "Digital Library Reserve Server" support selection, download, encryption, and lending to enable eBook content in Adobe or Palm readers on PCs and PDAs ([www.overdrive.com/library/overview.asp](http://www.overdrive.com/library/overview.asp)). Its collection of 55,000 titles is second only to netLibrary's. OCLC MARC records are available for all titles, and the system is designed to integrate with the library's OPAC to enable circulation and lending from the library's customized "kiosk."

eBooks Corporation has operated a commercial eBook site ([www.ebooks.com](http://www.ebooks.com)) since 2000, and has recently decided to make its collection of 25,000 titles available to libraries through a new service called "eBook Library." ([www.library.ebooks.com](http://www.library.ebooks.com)). EBL, as the service is known, was announced on September 14<sup>th</sup> at ICOLC, and is expected to launch in June 2004. The new system will feature an innovative access model, dubbed "Non-Linear Lending", which enables libraries to lend the same book to multiple concurrent users. In essence, each eBook copy is construed

as available for a fixed number of days per year (like a print book), but those days can be used in response to patron demand. Also planned is a "rental" or short-term circulation model, which can provide an alternative to ILL. EBL can also serve individual chapters for eReserve and "ePacks"; delivery will be in Adobe format, to allow download to PCs and PDAs. Initial focus of the collection is on current STM titles, though all academic disciplines are covered. Close cooperation with ILS vendors is also planned, for integration into OPAC and Circulation modules. Library trials will begin in early 2004.

Blackwell's Book Services, in addition to its collaborations with ebrary (on "Preview") and netLibrary (allowing selection and ordering of eBooks via Collection Manager), has also initiated a new Digital Reference Service. Titles initially available include major reference works from Taylor & Francis, Wiley, Annual Reviews, AIP, and Springer, with additional titles slated from Kluwer, Oxford, and Palgrave MacMillan ([www.blackwell.com/level2/DigitalReference.asp](http://www.blackwell.com/level2/DigitalReference.asp)). As with print works, Blackwell's handles ordering and invoicing, and consolidates titles from a number of publishers, streamlining the library workflow. Unlike print works, BBS also handles licensing, FTE or concurrent user counts, and IP ranges. In some ways, this initiative begins the re-invention of traditional library suppliers, a phenomenon that must persist as more content is delivered in electronic form.

Although Baker & Taylor and YBP Library Services' ED (E-Content Distribution) has been announced before, a couple of new developments are worth noting. First, ED's 8,000 or so titles are now included in both GOBI Edition 2 (YBP's online service) and B&T's Title Source II, and BT Link Online. This allows simultaneous consideration of print and eBook editions of the same content when both are available, and allows a librarian to select and order eBook titles using the capabilities of GOBI and TS II. Once an eBook is purchased, patrons can download to PCs or PDAs running Adobe software. ED's "Library Administrative System", based on Adobe Content Server 3.0, also provides an eBook management system for libraries. YBP has assembled a quarterly list of "ED eBook Essentials" ([www.ybp.com/acad/EdCover.htm](http://www.ybp.com/acad/EdCover.htm)), which includes eBook titles previously covered on the approval program. Publication years cluster between 1999 and 2002, with some 2003 imprints as well.

In other developments, work continues at the CDDC (Chicago Digital Distribution Center) on the "BiblioVault Scholar's Portal" interface and short-run digital printing system for 5,000 university press eBooks from 22 scholarly publishers. (<http://cddc.uchicago.edu>). Individual publisher eBook sites, such as those run by Taylor & Francis ([www.ebookstore.tandf.co.uk](http://www.ebookstore.tandf.co.uk)), Kluwer (<http://ebooks.kluweronline.com>), and others, sell academic eBooks mostly to individuals, but in some cases on subscription to libraries (e.g., CRC Handbooks). Online Reference, IT and other subject-based collections, carefully

selected, updated, linked, and supported with well-designed interfaces, attract a growing customer base for Oxford, xrefer, Books 24x7, elementK, Knovel, MDConsult, and others. Provision of MARC records for eBook titles is increasingly common, with OverDrive and CRC Press among the most recent to announce such a service. Finally, in a sure sign that eBooks are coming of age, ARL now spells out how to count them as part of collection tallies ([www.arl.org/stats/arlstat/arlstatqa.html](http://www.arl.org/stats/arlstat/arlstatqa.html)).

Meanwhile, grizzled industry veterans netLibrary and ebrary continue to evolve. NetLibrary today (9/20/03) boasts 60,247 titles (the largest single repository of eBooks), and 5,500 library customers. Its TitleSelect systems offers improved search, selection and ordering, de-duplication within lists, export or e-mailing of lists, and for most titles displays LC classification and subject headings. A recent partnership with RosettaBooks makes available a collection of "Modern Masters" (Vonnegut, Styron) for purchase or rental. They have achieved at least partial integration with library systems. And through collaboration with book vendors such as Blackwell's, EBSCO and Follett, netLibrary has simplified selection and purchase of individual titles, and recognized the need to match its activity to library workflows. Its "one book, one user" approach persists for the time being, though investigation of concurrent use is underway. netLibrary remains the market leader.

ebrary characterizes its "Academic Complete" collection of 13,000+ titles from 160 publishers as a database, available in full or in part by subscription based on FTEs. ebrarian for Libraries supports multiple simultaneous users; users can search full-text across the collection, and take advantage of Web links and research tools. MARC 21 records with a link in the 856 field are provided for all titles. Ebrary, too, has worked closely with ILS and book vendors. Through an innovative partnership with Blackwell's, for instance, a selector using Blackwell's Collection Manager can "preview" the full text of any ebrary title, and then return to the CM interface to select or order. ebrary has a similar partnership with Books-In-Print, and these services provide an example of how eBooks might be used to support library selection—in print or in electronic form.

In summary, 2004 is shaping up to be an active and interesting year for eBooks, especially in libraries. Perhaps most significant (and unpredictable) will be the jostling and convergence of different types of players: publishers, eBook providers, book and serial vendors, and ILS vendors all have a stake in how eBook distribution evolves. As, of course, do libraries. Good ideas and new models continue to surface, but many more issues remain to be resolved, and many more books (and customers) remain to be converted. At present, both opportunities and risks are modest--a good time to experiment, to pursue a series of small investments, the kind that bore both bulls and bears, but help illuminate the next step.